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In the Supreme Court of the United States

OCTOBER TERM, 1954.

No. 138.

EXCEL AUTO RADIATOR COMPANY,
Petitioner,

vs.

THE BISHOP AND BABCOCK MANUFACTURING COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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HISTORY OF LITIGATION.

The petitioner's bill of complaint was filed in the District Court on September 21, 1945. In its bill of complaint the petitioner sought a declaratory judgment, adjudging that the automobile heaters manufactured and sold by it did not infringe United States Patent No. 2,322,041 (hereinafter called the "Mayo patent"), and also adjudging that the Mayo patent was invalid. The respondent, in the counterclaim filed by it in the District Court, asserted that it was the owner of the Mayo patent, and charged that the Mayo patent was infringed by the petitioner.

The Mayo patent, as issued, contained thirteen claims. At the trial in the District Court, counsel for the respondent, in his opening statement, stated to the court that no claim of infringement would be asserted in respect of Claim No. 11 of the Mayo patent (Special Master Exhibit 2, Transcript of Record, page 38).

The judgment of the District Court was entered on June 10, 1947, and was for the respondent. In that judgment, it was adjudged that the petitioner had infringed Claims Nos. 1 to 10, both numbers inclusive, and Claims Nos. 12 and 13 of the Mayo patent; and in that judgment it was further adjudged as follows (Record, Volume One, page 38a):

> "5. That defendant (respondent), The Bishop and Babcock Manufacturing Company, recover from plaintiff (petitioner), Excel Auto Radiator Company, all damages (Title 35, Sec. 70, as amended 1946) which defendant has sustained by reason of said infringement of said Letters Patent No. 2,322,041, together with costs, interest and reasonable attorney's fees; * * *."

To the judgment of June 10, 1947, the petitioner took an appeal to the United States Circuit Court of Appeals for the Sixth Circuit. Nowhere in the briefs filed by the petitioner on that appeal was any exception taken to the respondent's judgment for its reasonable attorney's fees; and the subject was not mentioned by counsel for the petitioner on the hearing on said appeal. On May 3, 1948, the Circuit Court of Appeals, although stating in its opinion that Claim No. 6 of the Mayo patent was too broad to comply with R. S. 4888, nevertheless affirmed the judgment of June 10, 1947, in its entirety. The petitioner then filed a petition for rehearing in the Circuit Court of Appeals, which, among other things, specifically challenged the validity of the petitioner's judgment for reasonable attorney's fees. The respondent, in its brief opposing said petition for rehearing, called to the court's attention the aforesaid discrepancy between its opinion and its judgment of May 3, 1948, as to Claim No. 6 of the Mayo patent; and on June 2, 1948, the Circuit Court of Appeals

denied said petition for rehearing, but revised its judgment of May 3, 1948, to the extent of reversing the judgment of June 10, 1947, as to said Claim No. 6, and again affirmed the judgment of June 10, 1947, in all other respects, including the award to the respondent of its reasonable attorney's fees.* See, *Excel Auto Radiator Co. v. Bishop & Babcock Mfg. Co.*, 167 F. (2d) 962; and Record, Volume One, pages 41a-54a and page 57a. The Respondent duly filed in the Patent Office a disclaimer of said Claim No. 6.

The petitioner then filed in the Supreme Court of the United States a petition for writ of certiorari. Said petition for writ of certiorari was denied by the Supreme Court of the United States on October 11, 1948; and thereafter the District Court, on October 19, 1948, entered judgment in conformity with the judgment of the Circuit Court of Appeals (Record, Volume One, page 58a). Thereafter, the petitioner filed in the Supreme Court of the United States a petition for rehearing, and on November 15, 1948, said petition for rehearing was denied by the Supreme Court of the United States. Subsequently, on May 7, 1949, the petitioner filed in the Supreme Court of the United States a motion for leave to file a second petition for rehearing, which motion was denied on May 31, 1949.

On February 17, 1949, the respondent filed in the District Court its motion for determination of, and judgment for, its reasonable attorneys' fees; and thereafter

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* The statement of the District Court, quoted in Petitioner's Brief, page 9, is inaccurate. Only one claim of the Mayo patent, to wit, Claim No. 6, was held invalid. The other claim referred to by the District Court is Claim No. 11. As stated previously, counsel for the respondent, in his opening statement in the District Court, announced that infringement of Claim No. 11 was not asserted.

the District Court appointed a Special Master to determine the amount of the respondent's general damages and the amount of its reasonable attorneys' fees (Record, Volume One, page 62a). Proceedings were then duly had before the Special Master, who duly rendered his report to the District Court, together with a supplemental statement to accompany said report, on October 1, 1952. Objections to the report of the Special Master were filed by both the petitioner and the respondent, and, thereafter, on March 6, 1953, the District Court entered an order confirming the report of the Special Master, except as modified, and making findings of fact and conclusions of law (Record, Volume One, pages 150a-151a), and also entered judgment. Said judgment of the District Court, entered March 6, 1953, adjudged, among other things, that the respondent recover from the petitioner the sum of $50,314.60, together with interest thereon at the rate of 6% per annum from the date of the entry of said judgment (Record, Volume One, page 152a). The sum of $50,314.60 for which judgment was entered in favor of the respondent against the petitioner in the judgment of March 6, 1953, aforesaid, is the aggregate of the general damages awarded to the respondent in the amount of $28,314.60 and the reasonable attorneys' fees awarded to the respondent in respect of the proceedings in this case occurring prior to November 15, 1948, in the amount of $22,000.00.

To the judgment of March 6, 1953, the petitioner took an appeal to the United States Court of Appeals for the Sixth Circuit, which, on April 21, 1954, affirmed the judgment of the District Court (Record, Volume Two, pages 1-3). Thereafter, the petitioner filed in the Court of Appeals a petition for rehearing, which was denied on May 18, 1954 (Record, Volume Two, page 9).

Thus it appears that the case in which the present petition for writ of certiorari has been filed has already been running for almost nine years.

Before that, there had been over five years of litigation between the parties here on the issue of priority with respect to the invention set forth in the Mayo patent application. The Mayo patent application was filed in the Patent Office on March 28, 1936. On December 17, 1936, an interference was declared in the Patent Office as to four claims of the Mayo patent application. These are now Claims Nos. 1, 2, 5 and 7 of the Mayo patent. The parties to this interference were Mayo, one Aufiero and Will & Fink. In March of 1937 a patent application was filed in the Patent Office by the petitioner's then general manager Sperry (an assignment to the petitioner being subsequently recorded); and thereafter, on December 3, 1937, the interference proceedings were reformed with Sperry as a party. The proceedings ultimately resolved themselves into Interference No. 73,751, Sperry v. Aufiero v. Mayo, which included two additional claims, these two claims now being Claims Nos. 8 and 9 of the Mayo patent. From that time forward Sperry, by the petitioner, contended for the aforesaid six claims as valid claims to which he was entitled. Mayo prevailed before the Examiner of Interferences. Both Sperry and Aufiero appealed to the Patent Office Board of Appeals, but Aufiero did not follow up his appeal, and it was dismissed. Before the Patent Office Board of Appeals, Mayo again prevailed over Sperry. Sperry then appealed to the Court of Customs and Patent Appeals, which, on February 1, 1943 (rehearing denied February 26, 1943), affirmed the decision of the Patent Office Board of Appeals. See, *Sperry v. Aufiero*, 134 F. (2d) 174. Thereafter, the Mayo patent went to issue on June 15, 1943.

Thus it appears that the litigation between the petitioner and the respondent growing out of the Mayo patent application and the Mayo patent has already had a history of about fourteen years.

ARGUMENT.

The petitioner asserts that the judgment of the Court of Appeals in awarding reasonable attorneys' fees to the respondent was erroneous. That judgment, which includes the reasons of the court for entering that judgment, appears in Record, Volume Two, pages 1 to 3.

The petitioner claims (Petitioner's Brief, pages 12, 15 and 19) that the Court of Appeals held, in effect, that the statute (United States Code, Title 35, Section 70) authorized "an award of reasonable attorney fees to the prevailing party in any patent case, at the option of the District Court, as a matter of course and irrespective of any showing or finding of exceptional circumstances." This is not so. It was held by the courts generally that under R. S. 4921 (United States Code, Title 35, Section 70), attorneys' fees should not be awarded in the ordinary patent case, and should be awarded only in exceptional cases. The respondent has never contended otherwise; and there is no basis for the petitioner to claim that the courts, in entering judgment for the respondent for its reasonable attorneys' fees in this case, ignored this established legal principle. Of course, the petitioner has continuously contended that this was not an exceptional case, but the courts have thought otherwise; and the fact is that this was an exceptional case. The Circuit Court of Appeals found and held that the witnesses Peto and Golich, who were still working for the petitioner and whose testimony was important, were not called by the petitioner: that the president of the petitioner "proved an extremely evasive witness"; that the sketches to which certain Patent Office

affidavits of Sperry refer were not produced; that the petitioner introduced 76 prior art patents "without expert discussion or explanation of any kind" as to their relevancy to the petitioner's claim that the Mayo patent disclosed no patentable invention over the prior art; that

> "The appellant (the petitioner) introduced no testimony. No explanation is given in the evidence of the claimed substantial differences upon which appellant (petitioner) relies to establish the defense of invalidity of Mayo and non-infringement. The assertions in appellant's (petitioner's) brief are not testimony, and are in certain respects not supported by the record."

and that in the story of Sperry asserted and relied upon by the petitioner there was untrue testimony. See, 167 F. (2d) 962, 964 *et seq.*

The following footnote appears on page 2 of petitioner's petition for writ of certiorari:

> "Petitioner was impelled to challenge the validity of the Mayo patent in view of the decision of the Court of Customs and Patent Appeals in *Sperry v. Payne*, 141 F. (2) 816, establishing reduction to practice of its accused structure prior to the earliest date of invention available to Mayo, a very compelling reason."

Such statement adds nothing to the petitioner's case here, because the petitioner, in the case at bar, made no attempt to duplicate the evidence with exhibits in *Sperry v. Payne*. See, District Court, Finding of Fact 9, Record, Volume One, page 32a.

The petitioner calls attention (Petitioner's Brief, pages 10, 18, 21 and 22) to the fact that the District Court found that no bad faith on the part of the petitioner being established by the proofs, the general damages assessed against the petitioner should not be increased. It should be noted that this finding of the District Court related only

to the respondent's claim for increased damages. Bad faith of the petitioner is not a prerequisite to the award of reasonable attorneys' fees to the respondent. Such award may be predicated on unfairness or inequitable or unreasonable conduct of the petitioner, or may be made if it is necessary to prevent injustice; and the award of reasonable attorneys' fees being a matter in the discretion of the trial court, an award of attorneys' fees by the trial court cannot be disturbed in the absence of a showing of a clear abuse by the trial court of its discretion. See *Algren Watch Findings Co. v. Kalinsky*, 197 F. (2d) 69, 72; *Blanc v. Spartan Tool Co.*, 178 F. (2d) 104; *Grant Paper Box Co. v. Russell Box Co.*, 106 F. Supp. 616, 619, affirmed 203 F. (2d) 177, certiorari denied 346 U. S. 82, rehearing denied 346 U. S. 905; and *Brennan v. Hawley Products Co.*, 98 F. Supp. 369. The Court of Appeals found that there was no abuse of discretion by the trial court, and that its award of attorneys' fees to the respondent was supported by substantial evidence (Record, Volume Two, page 2). There is, therefore, no law question for this Court to review.

In Petitioner's Brief, pages 20-21, reference is made to United States Code, Title 35, Section 285 (included in the Patent Act of July 19, 1952), which became effective January 1, 1953. This new act does not affect the matter involved in this proceeding. The petitioner's bill of complaint was filed on September 21, 1945; the judgment of the District Court was entered on June 10, 1947; the judgment of the Circuit Court of Appeals on the ~~Brief~~ appeal by the petitioner was entered on June 2, 1948; the previous proceedings in the Supreme Court of the United States on the prior appeal by the petitioner ended on May 31, 1949, when the court denied the petitioner's motion for leave to file a second petition for rehearing; and the respondent's attorneys' fees here involved were incurred during the period from September 21, 1945, when the peti-

tioner's bill of complaint was filed, to October 31, 1948. Thus it clearly appears that the matter now before the court arises out of facts that existed long prior to the effective date of the new act. These facts fixed the rights and liabilities of the parties here; and those rights and liabilities were, therefore, in existence long prior to the effective date of the new act. Those rights and liabilities are, consequently, not affected by the new act, because Section 5 of the new act provides (66 Statutes at Large 815; Petitioner's Brief, Appendix I, page 26):

> "Sec. 5. The sections or parts thereof of the Revised Statutes or Statutes at Large enumerated in the following schedule (including R. S. 4921, United States Code, Title 35, Section 70) are hereby repealed. Any rights or liabilities now existing under such sections or parts thereof shall not be affected by this repeal."

The petitioner's contention, in substance, to the effect (Petitioner's Brief, pages 13 and 20-21) that the saving clause just quoted applies only to rights and liabilities which have been reduced to final judgment prior to the effective date of the new act is clearly without merit. Such construction of the saving clause would render the saving clause meaningless, because where rights and liabilities based on a statute have been reduced to final judgment it takes no saving clause upon the repeal of the statute to preserve the rights and liabilities under the judgment. The rights and liabilities under the judgment are preserved even in the absence of a saving clause. See, 59 *C. J. S.*, Statutes, page 1009; 50 *Am. Jur.*, Statutes, Section 531; and *Kansas Pacific Railway Company v. Twombly,* 100 U. S. 78. The saving clause quoted above can be given meaning and effect only by applying it to rights and liabilities which have not been reduced to final judgment at the effective date of the new act.

It would make no difference, however, even if the new act were applicable here, because, so far as relevant here, the new act did not change the law. This is admitted by opposing counsel (Petitioner's Brief, page 11). Opposing counsel make specific reference to Section 285 of the new act, so far as it relates to an award of attorneys' fees, but that section did not change the law in respect of such an award. See, Report of the Senate Committee on the Judiciary, U. S. Code Congressional and Administrative News, 82nd Congress, Second Session, Volume 2, page 2423, where it is stated with respect to Section 285 of the new act as follows:

> "This section is substantially the same as the corresponding provision in R. S. 4921; 'in exceptional cases' has been added as expressing the intention of the present statute as shown by its legislative history and as interpreted by the courts."

Of course, the petitioner has continuously contended that this was a usual and ordinary case for patent infringement and not an exceptional case, but, as pointed out above, the courts have not agreed with this claim of the petitioner.

It is respectfully submitted that the petitioner's petition for writ of certiorari should be denied.

Respectfully submitted,

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